

**IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 15, 2012**

The Iowa Racing & Gaming Commission (IRGC) met on November 15, 2012 at Stoney Creek Inn and Conference Center in Johnston, Iowa. Commission members present were Jeff Lamberti, Chair; Greg Seyfer, Vice Chair; and members Carl Heinrich, Kris Kramer and Dolores Mertz.

Chair Lamberti called the meeting to order at 8:30 AM and requested a motion to approve the agenda. Commissioner Mertz moved to approve the agenda as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the approval of the minutes from the September 26-27 Commission meeting. Commissioner Seyfer moved to approve the minutes as submitted. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Brian Ohorilko, Administrator of IRGC, for announcements. Mr. Ohorilko provided the following information regarding future Commission meetings:

- December 2012 – No Meeting
- January 10, 2013 – Prairie Meadows Racetrack & Casino, Altoona, IA
(Submissions due by December 26, 2012) – Woodbury County Applicant Presentations
- February 2012 – No Meeting
- March 6-7, 2013 – Stoney Creek Inn, Johnston, IA (Submissions due by February 21, 2013)
- March 26, 2013 – Stoney Creek Inn, Sioux City, IA

He advised that the Woodbury County applicants would be giving their presentations at the January Commission meeting. The Commission will be receiving the Division of Criminal Investigation background reports on March 6th, the only portion of the licensing process that is not open to the public. During the meeting on March 26, 2013, the Commission will be touring the proposed facility sites and receiving public comment with regard to any of the projects.

Chair Lamberti moved to the financing presentations for the proposed Woodbury County projects. Mr. Ohorilko conducted a random draw prior to the start of the meeting to determine the order in which the presentations would be given. The order is: Warrior Casino and Hotel; Hard Rock Casino Sioux City; and then the Hollywood Casino project. There will only be one presentation for both of the Hollywood projects. The same order will be followed for the January presentations.

Lance Morgan, CEO of Ho Chunk, Inc., presented the financing for the Warrior project. He advised that due to the potential of some tax credit financing, the project may be

completed in three phases with the primary piece being the casino portion, which will encompass a 32,000 square foot casino floor with 800 slot machines, three restaurants, and an event center with 700 theater seats. The new casino would be attached to the existing Warrior Hotel. They are looking at creating a separate entity for the parking facility, which would have over 1,000 spaces. There is also the potential for the hotel being under a separate entity to accommodate the complexities of any tax credit financing.

Mr. Morgan stated that the Winnebago Tribe has committed \$10 million in equity. He advised that the bigger piece is from the Shakopee Mdewakanton Sioux Community, better known as the Shakopee Tribe. Mr. Morgan stated they are one of the most well-known Indian tribes in the county. He advised that while they have participated in various casinos around the country, this is the first project in which they have made an equity investment in the gaming area. Mr. Morgan stated that the Shakopee operate one of the largest casinos in America, and possibly the world. He indicated the Shakopee are incredibly successful; and having their backing is a real coup from the Ho-Chunk's standpoint. Mr. Morgan advised that Ho-Chunk, Inc. also supplied an additional \$10 million of equity due to the variability of the tax credit funding.

Mr. Morgan stated the Ho-Chunk have entered into an agreement with Sioux City. He indicated it is basically a minimum assessment agreement that allows them to utilize tax increment financing (TIF) to help build the parking garage and street infrastructure, and possibly acquire some of the land and buildings. Mr. Morgan advised that the agreement is a critical piece of the project as Sioux City really wants the project in the downtown area; parking will be a critical issue. He stated that the City's commitment is a very important piece.

Mr. Morgan stated the Ho Chunk has funding through Dougherty Funding, LLC for a \$50 million mortgage plus another \$20 million in equipment financing. He is not sure if they will need the \$20 million, but felt it prudent to have it available. Mr. Morgan advised that the Shakopee also contributed an extra \$9 million in debt financing, which will serve as a bridge loan for some of the tax credits; however, if the tax credits do not come through, the \$9 million would be converted to long-term financing.

Mr. Morgan introduced Jeremy Tabolich from Dougherty Funding. Mr. Tabolich stated that Dougherty Funding is very excited to work on this project; they have been involved in gaming and hospitality finance in excess of 20 years. Information distributed to the Commission provides a brief listing of their transactions in those particular areas over the last ten years. He stated that the company is prepared to move forward with a \$69 million loan to the project, as well as the \$20 million for the equipment financing. Mr. Tabolich advised that Dougherty Funding is part of the Dougherty Financial Group headquartered in Minneapolis, MN. He stated that their loan portfolio is in excess of \$3 billion, and hospitality loans represent \$600-\$700 million of that portfolio. He stated that the gaming portfolio has diminished somewhat over the last five or six years, but they currently have between \$100 and \$150 million of gaming transactions. He advised that

Dougherty Funding did finance in excess of \$20 million in gaming revenue bonds in Polk County in 1995.

Chair Lamberti called for any questions. Commissioner Seyfer asked if the only contingency in the financing is due diligence. Mr. Tabolich answered in the affirmative; stating that they have been moving at a very quick pace. He stated the forecast is prepared, and Dougherty is reasonably comfortable with that, but do still have a few questions.

Mr. Morgan stated that they will be doing a historic facility. He stated that the Warrior Building, and the Davidson which is connected to the Warrior, would allow the Ho-Chunk to seek up to \$9 million in tax credits. He stated that the project would move forward without the tax credits. The tax credit financing will not be part of the financing for the gaming portion of the project. Mr. Morgan stated that if they do not receive the tax credits, they will seek some local investors for the project.

Mr. Morgan provided the following summary of funding sources: \$30 million in cash equity investments; a possibility of \$17 million in tax credits; TIF funds of \$25 million, and loans for a total of \$122 million. The funds will be used to purchase land, cover construction costs, furniture, fixtures and equipment, the initial license fee of \$4 million, and other miscellaneous expenses. Mr. Morgan stated the Ho-Chunk could put in approximately \$40 million if they need to; they have \$20 million committed from Sioux City, debt financing is in place, and a contingency of another \$30 million. He stated that project is projected to cost \$122 million, and they have \$152 million in funding available.

Chair Lamberti called for any questions. Hearing none, Chair Lamberti called on Hard Rock Casino. Bill Warner, President of Sioux City Entertainment (SCE), introduced Mark Monson, President of Missouri River Historical Development (MRHD). Mr. Monson introduced Ron French, Vice President of MRHD, and board members Carolyn Ellwanger and Dave Bernstein. Mr. Warner introduced Jamie Freeland with Summit Partners, and Steve Noto, Chief Financial Officer of Stoney Creek Hospitality and Jenn Pavone, General Manager of Stoney Creek Inn in Sioux City. Stoney Creek Inn is partnering with Sioux City Entertainment for the hotel portion of the proposed project. Legal counsel present for MRHD and SCE were Curt Beason and Jim Quilty.

Mr. Warner advised the presentation is broken down in three components: Project Overview, Financing, and Credit Statistics. He stated there are two elements that deal with the strength of the financing: what is the capital structure and how the sources of capital are put together; the other is how the project stacks up in its ability to generate cash flow to support the capital structure.

Mr. Warner advised that the SCE project will be located on 16 acres adjacent to I-29 and downtown Sioux City. The site will have great access from the tourism basis and local retail visitor perspective, plus the benefit of the downtown Sioux City location, allowing them to gain synergy from events at the Orpheum Theater, downtown restaurants and

bars, as well as the other downtown businesses. He noted that 40,000 cars a day travel on I-29, giving them an opportunity to pull some of them in that might otherwise bypass Sioux City; the site will give those individuals an opportunity to visit other businesses in downtown Sioux City if they choose to do so or easily get back on I-29. Mr. Warner noted that the project incorporates the historic Battery Building, which consists of 40,000 square feet that will be utilized for a back-of-house facility and some front house facilities. He advised that being able to use the Battery Building allows them to reduce their construction costs of the project which have been put toward the project's amenities.

Mr. Warner advised the project will feature ten different amenities: buffet, live entertainment venue, and a 2-acre event lawn behind the Battery Building that will be used as an outdoor amphitheater and drive holiday festivals, and possibly outdoor movies in the park. He stated SCE believes the amenities will draw individuals to the facility as a result of the additional investment to the front-of-house facilities.

Mr. Warner moved to the financing portion of the presentation. The key components are Iowa local equity offer – a minimum of \$5 million to a maximum of \$10 million; the Summit Partners loan - \$90 million; City of Sioux City TIF financing - \$22 million; and gaming manufacturers - \$10 million for FF&E financing; and the Stoney Creek partnership adds another \$6.5 million. The capital sources total \$133-\$138 million. On the uses side of the financing, there are construction costs and opening costs of the project that was submitted in response to the Request for Proposal (RFP) totaling around \$118 million, giving SCE between \$15-20 million of excess capital. The flexibility will help alleviate any unforeseen circumstances during construction of the project, and allows the project to continue to grow after it has opened and there has been an opportunity to see what the demand is.

Mr. Warner described the various components of the financing. The offering to local Iowa residents will first be offered to Sioux City residents, Woodbury County residents second, and the entire state of Iowa after that. The goal is to obtain a wide distribution of a small number of shares to many individuals versus a large amount of shares to a small number of individuals. Summit Partners is providing the primary debt financing for the project, which consists of \$70 million to SCE, Inc. and \$20 million to SCE Holdings, LLC. Mr. Warner advised that Summit was selected due to their experience in lending to the gaming industry, and their ability to assess the situation and make a decision in a short period of time. The terms of the loan are 14% interest and a 5-year term. Mr. Warner stated that Summit has the option to acquire a 30% ownership stake in the enterprise subject to approval by IRGC, and will have a first lien on all of the assets. Mr. Warner turned the floor over to Mr. Freeland of Summit.

Mr. Freeland advised that Summit was founded in 1984 and has raised \$15 billion in capital. They are currently investing in six funds with \$9 billion of capital. He stated that Summit has extensive experience in the gaming industry; they are excited about the project.

Mr. Warner stated the City of Sioux City has committed TIF financing as well. He advised that Mayor Bob Scott and Bob Padmore were present to address any questions regarding the TIF financing. The city is providing \$22 million of TIF financing in exchange for a \$51 million minimum property tax assessment netting \$2.25 million in tax payments annually. Additionally, SCE has committed to pay the city at least another \$2.1 million comprised of 1.75% of gaming revenue; 0.50% of gaming revenue passed from state gaming tax; incremental city-wide hotel tax, and incremental sales tax from sales at Hard Rock Hotel & Casino Sioux City.

The next aspect of the financing is the \$10 million gaming manufacturer equipment loan. Mr. Warner advised that the funds are not needed for the project, but are available. He explained that these funds are offered by the gaming manufacturers as a standard course of business.

Mr. Warner moved to the Stoney Creek Hospitality Corporation Joint Venture. He advised that SCE is very excited about this component as Stoney Creek is an Iowa-owned company, and currently has a 161-room hotel across the street from the proposed location. The joint venture on the hotel allows SCE to minimize the impact on their existing hotel but also allows SCE to work with them during times of excess demand and have the use of the existing hotel. The hotel project is estimated at \$6.5 million; Stoney Creek will contribute \$1-2 million of equity and raise the balance in debt financing. Mr. Warner pointed out that over the last 18 years Stoney Creek has built 13 hotel properties and raised over \$150 million doing this exact thing.

Mr. Warner stated that SCE had put together some credit statistics to show what the pro forma results would be compared to other industry companies. The projected EBITDA ratio (total debt divided by annual EBITDA) measures the company's ability to repay its debt; a lower ratio is better. Industry averages for multi-property and single property casinos are 5.10%. The Hard Rock Sioux City has a projected EBITDA of 3.29% for the first year and 2.58% in the third year. Mr. Warner moved to the interest coverage ratio, which is the annual EBITDA divided by annual interest payments. This determines how much excess cash flow there is over the projected interest. In this category, multi-property casinos have an average of 3.20% and single property casinos have an average of 2.30%. Mr. Warner stated the Hard Rock Sioux City property falls in the middle at 2.32% projected for the first year and 2.68% for the third year.

Mr. Warner advised that the excess \$15-20 million of capital relative to the uses provides SCE with some financial flexibility along with the efficiencies gained from the Battery Building. This provides SCE with the ability to build significant non-gaming amenities which allows them to create an entertainment destination. The entertainment destination will allow the Hard Rock to drive significant non-gaming revenue which will introduce the property to individuals who might not visit a casino otherwise; they will come for the live entertainment, movies on the lawn, etc., which will attract them to the gaming side of the facility, which will ultimately drive up revenues and increase cash flow, thus providing more flexibility.

Chair Lamberti called for any questions. Commissioner Seyfer asked what interest rate was used in the projections. Mr. Warner advised they used 14%. He further stated that the projections did not take any credit for the equity offering. Commissioner Seyfer asked when SCE would start the local equity offering. Mr. Warner advised that it would start upon SCE being selected as the licensee. Commissioner Seyfer asked if there were any contingency plans in place in the event the local offering did not reach the \$10 million mark. Mr. Warner indicated there were not; the financing that is needed to complete the project as designed is completely satisfied with the joint venture with Stoney Creek, the Summit loan and Sioux City's TIF financing. He stated that should SCE achieve the \$5-10 million of local equity, it would be an additional cushion.

Hearing no further comments or questions, Chair Lamberti called on Hollywood Casino/Hollywood Siouxland. Carl Sottosanti, Vice President of Legal Affairs for Penn National (Penn), stated they are pleased and excited to address the Commission and formally kick off the public portion of the RFP. He stated Penn is taking a low-tech approach today; they don't have a power point presentation but have distributed copies of their financing presentation to the Commissioners and staff, and will provide one to the media or anyone else who requests a copy. Mr. Sottosanti stated that Penn believes they have submitted two very compelling proposals for evaluation and consideration. At this time he called on Lance George, General Manager of the Argosy facility, to introduce Penn team members. Mr. George introduced the following individuals: Tom Burke, Sr. Vice President of Retail Operations; Michael Thoma, Director of Operations from the local property; as well as the following individuals from the qualified sponsoring organization: Bob Knowler, President; Dr. David Sly; Kelly Conolly; and Kathleen Bonstead.

Mr. Sottosanti stated that Penn National was happy with the Commission's decision to begin the licensing process with a discussion on finances. He noted that suitability is at the core of any licensing process; and in the 19 jurisdictions in which Penn operates that is generally defined as financial and business capabilities, and character. He assured the Commission that both are present within the Penn organization. He stated that Penn has been closely vetted in 19 jurisdictions, and is a sure thing, noting that they have been operating in Iowa since 2005. Mr. Sottosanti noted that the capital markets, where casinos and developers go for their large loans, have been frozen since 2008, causing many casino developments - even some which have been approved by regulators - to be abandoned across the country. He noted that prior to the Belle opening in the early 1990's two casino projects failed in Sioux City due to a lack of financing. Mr. Sottosanti stated that Penn brings certainty to the table, which is what the citizens of Sioux City and the State deserve.

Mr. Sottosanti stated that due to Penn's diversity, 29 properties in 19 jurisdictions, they are not dependent on any one property, state or region, which translates to stability and predictability. He stated that Penn has the liquidity to do the project; the company generates a substantial amount of liquidity every year and is not over-leveraged. With respect to the Sioux City proposals, Mr. Sottosanti advised that Penn will not need any

third party financing. Penn anticipates funding the project from cash flow and their existing revolver available under their credit facility. Additionally, they have not asked for any municipal incentives.

In comparing Penn to a group of their industry peers, Mr. Sottosanti referenced the following comments from credible analysts who follow the company:

- Penn has the Gaming industry's best balance sheet, the lowest net leverage in the group, and strong FCF generation. (Bank of America Merrill Lynch, Oct. 18, 2012)
- Penn National Gaming is a core regional gaming investment, in our view, given the company's operational efficiency skills, deep development pipeline and strong balance sheet. (Barclays Equity Research, Oct. 19, 2012)

Mr. Sottosanti pointed out that Penn has \$622 million available to them under their current credit facility revolver. He pointed out that Penn generated almost \$400 million in free cash flow in 2011, and expects to generate almost \$500 million in 2012.

Mr. Sottosanti concluded his remarks by stating that Penn wants to do the Sioux City project, is committed to the project, and **can** do this project. He stated that there are no backup plans, any hedges or contingency plans. There was no mention of diligence, equipment leases, TIF financing, etc. Mr. Sottosanti stated that Penn can write the check, and that they want to do the project. He thanked the Commission for their time.

Hearing no comments or questions for Mr. Sottosanti, Chair Lamberti moved to the update from Isle of Capri (IOC) regarding the sale of the Rhythm City property. Michael Fries, Vice President of Legal Affairs, advised that the City of Davenport has expressed a strong interest in purchasing the facility. He advised that the parties have agreed on the Term Sheet, and the City has been moving forward with the necessary steps to position itself to make the acquisition. Mr. Fries advised that IOC had tendered a Purchase Agreement to the City and expected a copy of that back soon. He stated that IOC would keep the Commission apprised of any further developments.

Chair Lamberti moved to the contract approval portion of the agenda and called on Grand Falls Casino Resort (GFCR). Sharon Haselhoff, General Manager, presented the following contracts for Commission approval:

- Avera Medical Group McGreevy – Health Plan Costs
- Delta Dental of Iowa – Employee Dental Insurance Benefits
- Farner-Bocken Company – Retail and Tobacco Purchases
- KSFY Television – Advertising
- Sanford Clinic – Health Plan Costs

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by GFCR. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Riverside Travel Mart – Gas Give Away Promotion
- Wells Fargo – Debt Refinancing

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the contracts as submitted by RCGR. Commissioner Mertz seconded the motion.

Chair Lamberti called on IOC Bettendorf. Nancy Ballenger, General Manager, presented the following contracts for Commission approval:

- Loffredo – Fresh Produce
- Sam's Club – Liquor and Cigarettes
- City of Bettendorf – First Amendment to Management Agreement for Events Center
- Neesvig's – Provides Certified Angus Beef
- Graphic Controls – Manufactures Slot Tickets for use in Slot Machines
- Global Payments – Cash Advance Agreement for Commissions Payable to IOC
- US Bank – ATM Agreement for Commissions Payable to Isle of Capri
- Johnson Contracting – Provides HVAC Parts and Repair Services

She advised that Sally Rogers, Senior Director of Finance, was also available to answer any questions.

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by IOC Bettendorf. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti called on Rhythm City. Mo Hyder, General Manager, presented the following contracts for Commission approval:

- US Bank – ATM Agreement for Commissions Payable to Rhythm City Casino
- Global Payments – Cash Advance Agreement for Commissions payable to Rhythm City Casino

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Rhythm City. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on IOC Waterloo. Bari Richter, General Manager, presented the following contracts for Commission approval:

- NRT Technologies, Inc. – Purchase of Slot Ticket Redemption Kiosks
- Global Payments – Cash Advance Agreement for Commissions payable to Isle of Capri

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by IOC Waterloo. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on IOC Marquette. Bill Gustafson, General Manager, presented the following contracts for Commission approval:

- Global Payments Gaming Services, Inc. – Provides Quasi-Cash Advance Service
- US Bank National Association d/b/a Ultron Processing Services – Kiosk and ATM Agreement

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by IOC Marquette. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Catfish Bend Casino (CBC). Gary Hoyer, CEO, presented the following contracts for Commission approval:

- Southeast Iowa Regional Riverboat Commission – New Non-Profit Agreement
- Fine Consulting, Inc. – Marketing Consulting Services
- The Brandt Co. – Printing of Marketing/Promotional Materials
- Wells Fargo Bank, Berkadia Commercial Mortgage – Second Loan Extension

He noted that one of the contracts was for a new operating agreement with the non-profit licensee. There is also a loan extension agreement with Berkadia Commercial and Wells Fargo Bank, which extends the senior debt to 2014.

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by CBC. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on the Diamond Jo. Lorraine May, legal counsel for Boyd Gaming, presented the following contracts for Commission approval:

- Kwik Stop Convenience Stores – Fuel and Gas Cards
- Seller's Owner's Affidavit with Indemnity Agreement

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Diamond Jo. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Diamond Jo Worth. Ms. May presented the following contracts for Commission approval:

- Subordination, Non-disturbance and Attornment Agreement
- Lessee's Affidavit with Indemnity Agreement
- Seller's Owner's Affidavit

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Diamond Jo Worth. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented the following contracts for Commission approval:

- MCC Iowa, LLC – 5-Year Contract for Mediacom CATV Bulk Basic Services + Sports & Info Pak 1 in Coaches Corner and Casino
- MCC Iowa, LLC – 5-Year Contract for Mediacom CATV Bulk Basic Services in Hotel Rooms

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by WRC. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Wild Rose Emmetsburg (WRE). Amy Rubel, General Manager, presented a contract with Multimedia Games for equipment and tournament software for Commission approval.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by WRE. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti called on Harrah's. Bo Guidry, General Manager, advised that his first request before the Commission was to seek approval to convert the gaming license to authorize Harrah's to conduct gambling games on a gambling structure upon the completion of proposed construction.

Mr. Ohorilko advised that the Commission would need to approve the conversion of the license and the proposed construction to facilitate the conversion.

Chair Lamberti requested that Harrah's proceed with their presentation concerning the construction.

Mr. Guidry advised that Harrah's is seeking to move the gaming floor into the current convention center; eliminating the riverboat. He noted that they currently have 33,000 square feet of gaming space; this will be reduced to 25,000 square feet. There will also be a reduction in slot machines from 800 to 600. Table games will increase from 18 to 20. Mr. Guidry stated that Harrah's feels they will have a sufficient number of gaming devices to support the facility.

Chair Lamberti called for any questions concerning the proposal. Commissioner Heinrich thanked Mr. Guidry for showing him the project. He indicated that he felt it was appropriate to move the facility off the river; that it was a very attractive project. Commissioner Heinrich recommended approval.

Commissioner Seyfer asked if everything was going into existing space. Mr. Guidry answered in the affirmative.

Chair Lamberti requested a motion regarding Harrah's request to convert the license to a gambling structure upon the completion of the proposed construction. Commissioner Mertz so moved. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the approval of the proposed construction. He asked the estimated cost of the construction. Mr. Guidry indicated it was approximately \$8 million, with the proposed construction accounting for \$5.5 million.

Hearing no further comments or questions concerning the proposed construction, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the proposed construction as submitted by Harrah's. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Lamberti moved to Harrah's contracts. Mr. Guidry submitted the following contracts for Commission approval:

- D&B Construction, Inc. – Construction Work
- Multimedia Games, Inc. – Gaming Equipment
- Ulster Carpets, Inc. – Carpet Installation for Property

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Kramer moved to approve the contracts as submitted by Harrah's. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Iowa West Racing Association/Horseshoe Casino-Bluffs Run Greyhound Park (IWRA/HC-BRGP) regarding the license renewals, purse supplement, season approvals and contracts.

Pete Tulipana, Executive Director of IWRA, advised that a year ago the community was in the midst of recovering from floods. He stated that IWRA and the Iowa West Foundation (IWF) played a major role during the flood recovery by partnering with the local Red Cross to help meet the needs of families in southwest Iowa and eastern Nebraska. Mr. Tulipana advised that a \$500,000 grant from the IWF funded residence and business clean-up kits; sump pumps, dehumidifiers, hot water heaters, interim housing, utility assistance, rental reimbursement and more. Additionally, employees from Ameristar and Harrah's were active volunteers in the flood recovery effort. Mr. Tulipana requested approval of the license renewals; stating that IWRA and Horseshoe have an excellent relationship. He stated that Horseshoe is a good corporate citizen; that the fees paid to IWRA have allowed the grant dollars to remain steady. He noted that in early 2013, IWRA will surpass \$300 million in grants. He turned the floor over to Mr. Guidry.

Mr. Guidry indicated that Horseshoe Casino/Bluffs Run and IWRA have an excellent working relationship. He requested approval of the license renewal applications.

Hearing no comments or questions concerning the license renewal applications, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the renewal of the pari-mutuel racing license, including dates, and the racetrack enclosure license to conduct gambling games for Bluffs Run Greyhound Park/Horseshoe Casino, contingent upon the following conditions:

- The import and export contracts should continue to have the review and approval by staff to insure regulatory compliance.
- Continuous review of racetrack maintenance issues and monitoring of injuries in cooperation with the Iowa Greyhound Association and IRGC representatives.

Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to the purse supplement. Jim Quilty, legal counsel for the Iowa Greyhound Association, advised that the parties had entered into a one-year agreement which maintains purses at the same level as 2012.

Commissioner Mertz asked what the purse amount was for last year. Mr. Quilty advised that it was \$9.5 million in purses, plus another \$500,000 dedicated to stakes races.

Hearing no further comments or questions, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the purse supplement agreement as submitted by Bluffs Run Greyhound Park/Horseshoe Casino and the Iowa Greyhound Association. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the request for approval of the season approvals. Mr. Guidry requested the Commission's approval of the season approvals for the 2013 racing season.

Hearing no comments or questions concerning the season approvals for 2013, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the season approvals as submitted by Bluffs Run Greyhound Park/Horseshoe Casino for 2013. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the additional contracts. Mr. Guidry submitted the following contracts for Commission approval:

- American Teletimer Corp. – Supply Photo Finish Equipment & Service for Video/Electronic Images
- Multimedia Games, Inc. – Gaming Equipment
- Show Productions d/b/a Audio Visions
- Ulster Carpets, Inc. – Carpet Installation for Casino
- United Tote – Tote Services

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Horseshoe Casino/Bluffs Run Greyhound Park. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Dubuque Racing Association/Mystique Casino (DRA/Mystique) with regard to their license renewal application. Jesús Avilés, General Manager of Mystique Casino, advised that over the last year DRA contributed over \$12 million to the Community Foundation. He noted that the license renewal contained twenty contracts.

Hearing no comments or questions concerning the license renewal application or the contracts contained within the application, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the renewal of the pari-mutuel racing license, including race dates, and the racetrack enclosure license to conduct gambling games for Mystique Casino and all contracts contained in the application, contingent upon the following conditions:

- The import and export, if applicable, contracts should continue to have the review and approval by staff to insure regulatory compliance.
- Continuous review of racetrack maintenance issues and monitoring of injuries in cooperation with the Iowa Greyhound Association and IRGC representatives.

Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Prairie Meadows Racetrack & Casino (PMR&C), and requested an update regarding the recently completed casino renovations. Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, advised that the renovated area was opened to the public on October 25th. The cost of the renovations was approximately \$11 million, and has been well received by customers and staff.

Mr. Palmer moved to the request for approval of proposed remodeling. He advised that the theme utilized in the just completed renovations will be carried over to the second floor. The renovations will start in January on the west half, contingent upon receipt of all the necessary approvals; the east half will be done in 2014. These renovations will cost approximately \$30 million over the next two years. Mr. Palmer noted that PMR&C spent approximately \$50 million to build and open the hotel this year. He noted that the proposed renovations do require the approval of the Polk County Board of Supervisors; he anticipates that happening either next week or the following week for the 2013 portion of the project.

Commissioner Seyfer asked about financing for the renovations. Mr. Palmer advised that the renovations will mostly be paid for through cash flow; however, the budget does allow them to borrow up to \$8 million.

Chair Lamberti requested a motion, clarifying that PMR&C is only seeking approval for the 2013 portion of the renovations. Commissioner Seyfer moved to approve the 2013 portion of the proposed remodeling project. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the review of the quarter horse meet. Mr. Heldt advised that the meet ended on October 27th, and deemed it to be a successful meet. He noted there were a number of new trainers that came this year, along with several returning trainers. He indicated there was a great working relationship with the trainers on the backside and the racing staff. He stated the racing staff did an excellent job of writing the condition book this year, which helped to increase the field size this year. Last year there were 7.7 horses per race; this year there were 8.2 horses. Another positive for the meet was the track surface. It is necessary that the track surface be fair to all participants because the races are such a short distance. Mr. Heldt advised that over 2,000 horses ran during the quarter horse meet; there were two fatal injuries. He stated that the number of injuries relative to the number of starts was below industry standards. He noted that the big event during the quarter horse meet was the American Quarter Horse Racing Association (AQHRA) conference and convention held the last weekend of October. It was a three-day event that drew individuals from all over the country, as well as a few international visitors. Mr. Heldt noted that one horse was brought in from Canada and another from South America. He stated that everyone had good things to say about the hotel, backside, and guest services.

Mr. Heldt advised that the Breeder's Cup for the thoroughbreds was held in California a couple weeks ago. He stated that a horse that won the Corn Husker race during the Festival of Racing in June went on to win a couple of major races in New York. The horse then participated in, and won, a \$5 million dollar race in California.

Mr. Heldt stated that PMR&C had a very good year in both the thoroughbred and quarter horse meets. He noted that horses brought in to participate in national races in Iowa are

able to go on and do good things in other jurisdictions, which brings positive national press coverage to Iowa racing.

Commissioner Mertz requested a report showing what is working or not working in the racing program.

Mr. Palmer introduced Tom Lepic, President of the Iowa Quarter Horse Racing Association (IQHRA). Mr. Lepic advised that the Challenge Races are the equivalent of the Breeder's Cup races for the thoroughbreds. He stated that the IQHRA worked on bringing the races here for quite some, and were hopeful that it would be successful. Mr. Lepic stated that nationwide individuals were cautious as to whether they wanted to bring the best of the best to Iowa to race at Prairie Meadows. He read two pieces regarding the recent Challenge Races at PMR&C; the first was from the AQHRA and Track magazine, the largest media source for quarter horse racing in the country. The second was from the director of the Challenge Championship Program, who was one of the hardest ones to convince to bring the races to Iowa.

Mr. Lepic stated that a week after the Challenge Races, the AQHRA had the largest sale in the quarter horse industry in Oklahoma City. He advised that the IQHRA is aware of at least 35 mares from that sale that are being brought to Iowa to foal. There is one owner from Iowa that has never owned a racehorse that came to the Challenge Championships; he bought 13 horses in three days – three of them were mares.

Mr. Lepic stated that he has been asked how Iowa-bred horses do at PMR&C. He advised that the quality of Iowa-bred horses continues to improve every year. He noted that the breeding program is up 34% this year for foals on the ground. Last year, thirteen of the overnight races were won by Iowa-bred horses against outside mixed company – races not run against Iowa-bred horses. Three of the stakes races were won by Iowa-bred horses. In the just completed race meet, twenty-two open races were won by Iowa-bred horses against the best of the best from all over the country; and five of the major stakes races at PMR&C that are open to horses from all over the country were won by Iowa-breds, which means the purse money is staying local to better the agriculture industry and everyone involved.

Mr. Lepic stated that several people from Los Angeles were at PMR&C for the first time during the AQHRA Conference and Challenge Races. It is home to Los Alamitos, the largest quarter horse racetrack in the country. They were extremely pleased with PMR&C's facilities and asked what they could do for the IQHRA. Mr. Lepic stated that the Los Alamitos representatives were asked to take PMR&C's signal. The following day, PMR&C received a phone call from the owner of Los Alamitos, and the entire meet will be broadcast at Los Alamitos. Aside from the money issue, many more people will be exposed to racing at PMR&C. Mr. Lepic stated they are already hearing from trainers that are bringing horses to Iowa that have never raced at PMR&C before; he just received paperwork from one individual who had 37 horses at Lone Star in Texas this year. They are coming to PMR&C next year versus Lone Star. Mr. Lepic stated that PMR&C is tops

in the quarter horse industry at this time, and that would not have happened without the opportunity to host the Challenge Races.

Chair Lamberti moved to the license renewal applications, which includes race dates. He noted that a couple of organizations had requested the opportunity to address the proposed race dates, and requested that they address the Commission first. Jon Moss, Executive Director of the Iowa Horsemen's Benevolent & Protective Association (IHBPA) which represents the owners and trainers that race thoroughbreds at PMR&C, stated that Iowa law requires a minimum of 67 days of equine racing in order to fulfill the requirements necessary for licensing and advised that the application does not reflect that in writing. He requested that it be part of the approval process. He noted that the IHBPA has a contract with PMR&C that requires a minimum of nine races per day; nine times 67 days would total 603 races; however, the contract states that if the IHBPA can fill more than nine races per day, they will do so. He requested that any motion include the provision for a minimum of 603 races for 2013.

Mr. Moss advised that he was expressing the IHBPA's unhappiness regarding the schedule change to include racing on Thursday, Friday, Saturday and Sunday versus Monday, Tuesday and Friday-Saturday. He requested that an analysis be completed comparing the statistics from 2011 and 2012. Mr. Moss advised that he had compiled such a report for the IHBPA, and stated that the IHBPA does not believe a continuation of the existing race schedule is a good idea. He feels the numbers will reflect that. He stated that per capita was down in excess of \$9 million, which amounts to almost a 27% reduction in handle. He believes those figures would project out to an approximate loss of \$500 million on PMR&C's bottom line.

Mr. Moss noted that while handle does not directly affect purses, or did not in 2011; however, with the advent of ADW, that is no longer the case. It is imperative to get the signal out and in front of as many people as possible and not going head-to-head with the larger, more established signals. He stated that the IHBPA believes the following also attributed to the decline:

- Less horses shipped in from Canterbury Park and neighboring racing jurisdictions that previously did so because of the change in race days
- An extension of the "enter" period. Horses are entered into a race days out prior to the actual race being run. Historically it is between 3-4 days, now it can stretch out to 6 days. He noted that the scratch rate this year was one of the highest experienced by the track.

Mr. Moss stated that the foal crop will not be an issue this year, but will be going forward; there has been a significant decline (35%) decline in the foal crop over the last six years.

Mr. Moss stated that members of the national HBPA were very impressed by PMR&C during the Festival of Racing. Several saw the horse previously mentioned by Mr. Heldt

run here, and then win at Santa Anita. He stated that it was an incredible opportunity, and hopefully the success of that horse will bring more prominent horses in the future.

Mr. Moss concluded his remarks by requesting that the Commission take into consideration his remarks regarding the minimum of 67 race days and minimum of 603 races.

Hearing no comments or questions for Mr. Moss, Chair Lamberti called on Deb Leech, President of the Iowa Thoroughbred Breeders and Owners Association. Ms. Leech concurred with Mr. Moss' statement that nationally the thoroughbred foal population is down, but stated that the Iowa foal crop is up over 30% from last year. She stated that she agreed with the minimum number of race days at 67 and the minimum number of races being established at 603. Ms. Leech stated the ITBOA understands what PMR&C is attempting to do; however, she suggested changing out racing on Thursday for Monday, which would still provide four days of racing in a row, but would help reduce some of the loss in off-track handle they have seen in the past. The proposed change still allows for racing on Sunday which PMR&C was trying to promote as a family day, and Monday they are not trying to export the signal against more established tracks, which would allow PMR&C to benefit from advanced deposit wagering.

Chair Lamberti noted that the Commission held discussions on the matter last year; that there is a difference between the overall performance at the casino/facility versus handle. He asked Mr. Palmer to address the issue.

Mr. Palmer referenced a letter sent to Mr. Ohorilko on October 23rd which recapped the 2012 Thoroughbred meet. The letter advised that handle was down \$7.8 million, or 23% over 2011; while racing revenue was down \$200 million or 13%. Mr. Palmer stated that food and beverage saw an estimated 19% increase with the change in race days; and casino revenue was up an estimated 6%. He advised that the overall increase in revenue to PMR&C since the change in race days was \$1.2 million more than 2011. Mr. Palmer stated that PMR&C spent a lot of money on the hotel, advertising, and promotion. He noted that they had requested the ability to try racing on these days for three years. While conceding that PMR&C had Sunday racing in the past, it was never for longer than one year; however, that was prior to the hotel, convention center and restaurant. He stated that PMR&C feels the decision to change race days was a good decision, and wants to continue it to see how the results in the aggregate work out over the three year period. They believe it will all be positive.

Commissioner Seyfer stated that the Commission will want to determine a pattern, and suggested that the Commission re-evaluate the situation next year after being able to review the numbers for the 2013 race season.

Chair Lamberti requested clarification from Mr. Ohorilko on what the motion needed to contain. Mr. Ohorilko advised that the contracts under 10H were submitted outside the

license application and would be handled separately. He stated he had reviewed the application, and it did contain a race meet calendar that indicates 67 separate race days.

Hearing no further comments or questions, Chair Lamberti requested a motion. Commission Seyfer moved to approve the renewal of the pari-mutuel racing license, including race dates, with a minimum of 67 race days and a minimum of 603 performances for thoroughbreds and 26 days and 208 races for quarter horses (provided there is availability of horses pursuant to agreements contained in the application), and the racetrack enclosure license to conduct gambling games for Prairie Meadows Racetrack & Casino and all contracts contained in the application, contingent upon the following conditions:

- The import and export contracts should continue to have the review and approval by staff to insure regulatory compliance.
- All marketing promotions that may affect live racing, particularly the racing schedule and post times, shall have prior approval from IRGC.
- Ongoing updates to staff on track surface safety measures and improvements.

Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti moved to the approval of the Quarter Horse Agreement. Mr. Palmer explained that PMR&C has ancillary with the horsemen, and the agreement before them is new for 2013/2014 with the IAQHRA.

Hearing no comments or questions, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the new agreement with the IAQHRA for 2013/2014 as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the additional contracts submitted by PMR&C. Mr. Palmer presented the following contracts for Commission approval:

- AJ Allen Mechanical Contractors – HVAC Contractor
- Anderson Erickson Dairy – Dairy Products
- Baker Electric – Electrical Contractor
- Blue Frog Graphics – Printing Services
- Brewer Meats, Inc. – Meat Supplier
- Cintas Corporation – Employee Clothing, Uniforms, and Related Items
- Clear Channel Broadcasting – Radio, Television or Outdoor Advertising
- Delta Dental of Iowa – Employee Dental Insurance
- Des Moines Register – Advertising and Subscription Expense
- Doll Distributing – Beer and Other Products
- Durkan Patterned Carpet – Specialty Carpet for Casino
- Excel Mechanical – HVAC Contractor
- Farner Bocken Company – Candy, Food, Tobacco and Other Supplies

- Loffredo Fresh Produce, Inc. – Food Products
- Martin Bros. Distributing Co., Inc. – Food, Equipment and Supplies
- OMG Midwest – Dirt, Salt, Sand and Silt Materials for Maintenance
- Reinhart Food Service – Food, Equipment and Supplies
- Shive-Hattery Inc. – Engineering Services
- The Weitz Company – General Contractor – Various Projects
- US Foods – Food, Equipment and Supplies
- Waldinger Corporation – Mechanical and Electrical Contractor
- Wellmark Blue Cross Blue Shield of Iowa – Employee Medical Insurance
- Wolin and Associates – Mechanical and Electrical Contractor

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the Hearing for Lakeside Casino Resort for a violation of Iowa Code §99F.4(22), the self-exclusion policy, and called on Mr. Ohorilko. Mr. Ohorilko advised that Commission staff had entered into a Stipulated Agreement with Lakeside. He stated that on August 1, 2010, the individual completed forms to be part of the lifetime self-exclusion group. On or about June 30, 2012, the individual was issued a Players' Club Card at Lakeside. Additionally, the individual received a promotional mailing on or about July 6th of this year. On July 20th during the screening process of the August mailer, the marketing department discovered that the individual was on the statewide self-excluded list. Mr. Ohorilko advised that Lakeside has made some changes to some of their processes in order to prevent self-excluded individuals from receiving mail and offers from the casino. He stated that Lakeside acknowledges the facts constitute a violation of Iowa Code §99F.4(22), and has agreed to an administrative penalty between \$3,000 and \$20,000. Mr. Ohorilko advised that this constitutes the second violation of this nature in a 365-day period.

Bob Thursby, General Manager, stated that over the summer he recognized the inadequacy of the system and how prone the system was to human error. He advised that the system was dismantled and instituted a more rigorous routine. He advised that it is a combination of what he learned while working in Missouri and Illinois. He stated his belief that the changes have resolved every possible issue to prevent a recurrence of this nature. Mr. Thursby stated that due to the restructuring of the program, the facility discovered the second violation. He advised that he would overhaul the system in the same manner, even at the risk of finding a second or third violation.

Hearing no further comments or questions, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the Stipulated Agreement as submitted, with an administrative penalty of \$5,000. Commissioner Kramer seconded the motion, which carried unanimously.

As there was no Public Comment or Administrative Business to come before the Commission, Chair Lamberti requested a motion to adjourn. Commissioner Kramer so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

DAWN ROMINGER